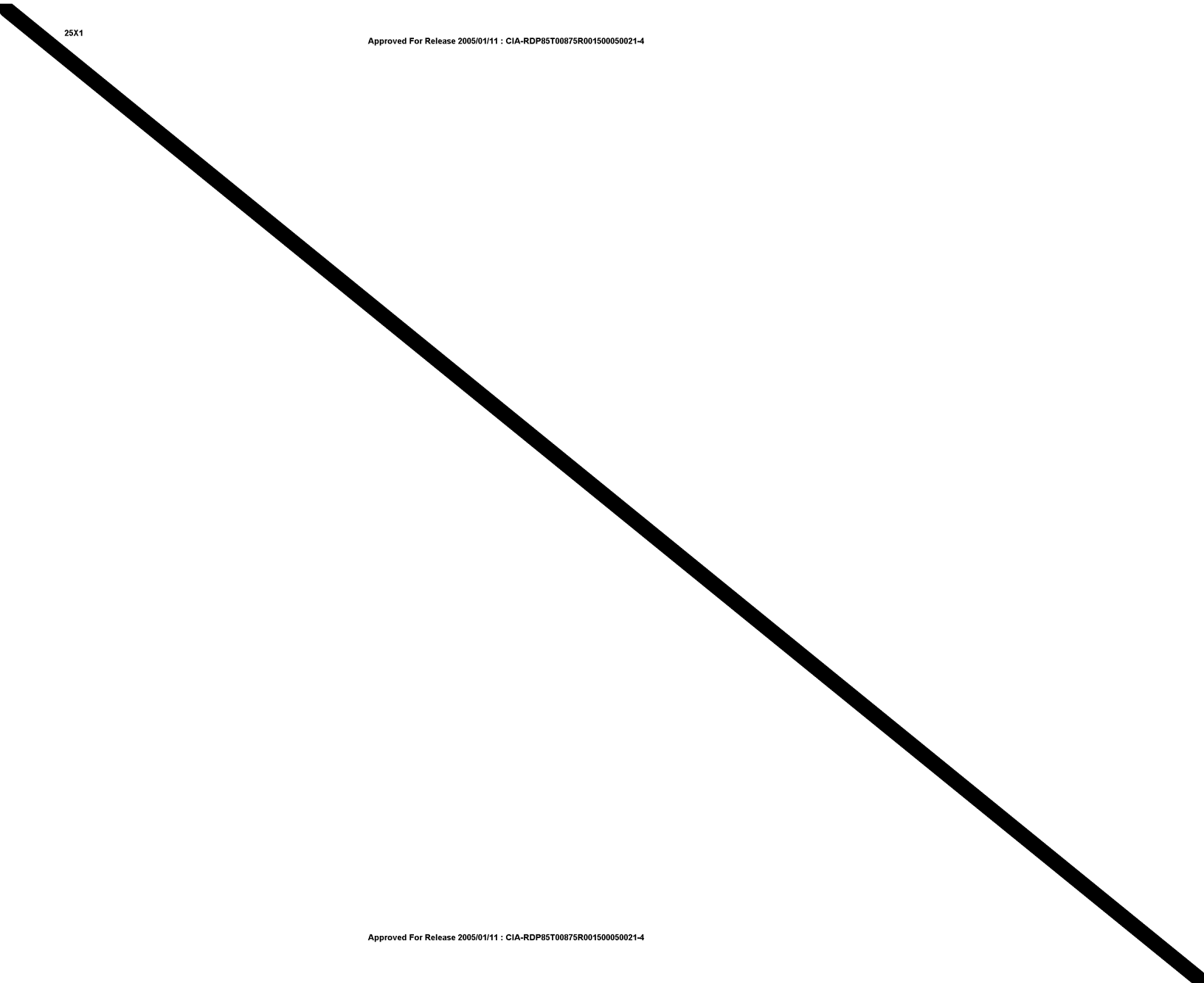

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WEEKLY SUMMARY

Special Report

New Departures in Burma

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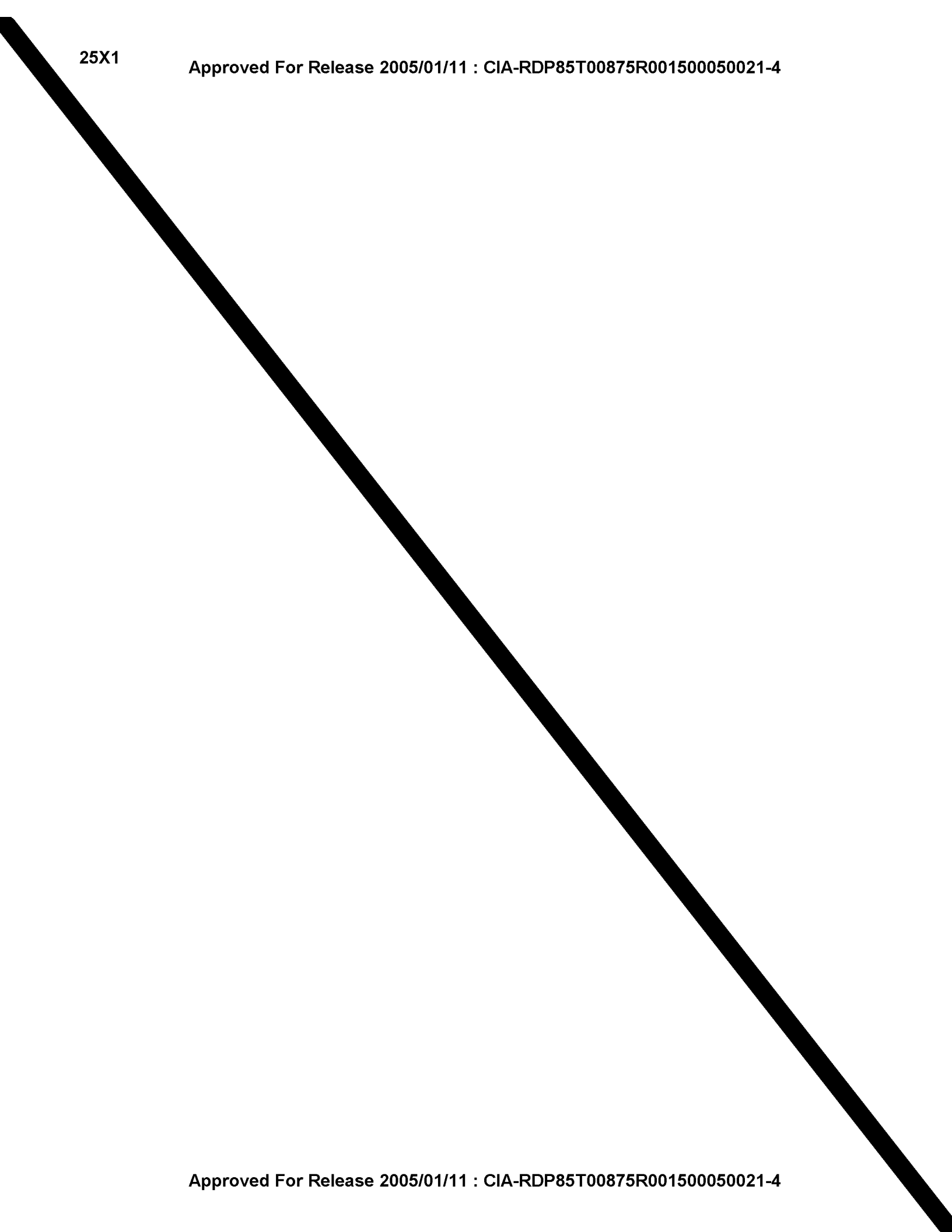

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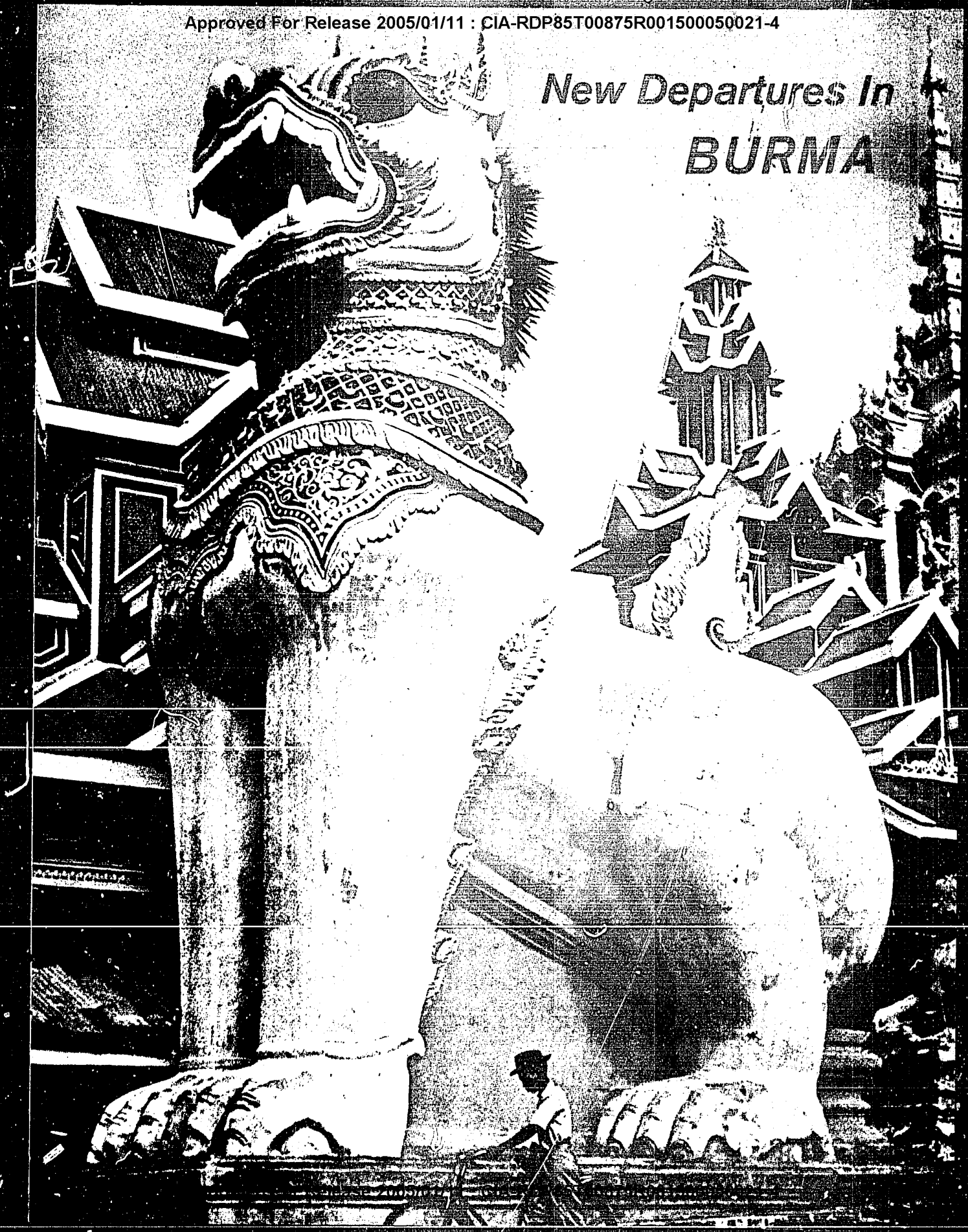
New Departures In BURMA



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Summary

Over the past decade, the government of Prime Minister Ne Win and his military colleagues has been known for its strikingly inept economic management, its xenophobic withdrawal from world affairs, and an indigenous brand of "Burmese socialism" along with repressive political control. Since the first of the year, a number of important changes in Burmese policies have altered this picture. On the home front the government has abandoned a key domestic economic policy of the past seven years—government control over the domestic rice trade. Peasants can now sell their stocks legally and at the best obtainable price.

Abroad, Rangoon seems to be coming out of its shell—responding like its neighbors to a rapidly changing regional and international political environment. Burma has called for a conference of Southeast Asian nations to work out ways to establish a durable peace throughout the region. Ne Win himself has recently visited Bangkok, Jakarta, and Kuala Lumpur in an effort to improve relations with some of his Southeast Asian neighbors. Rangoon has also become more cooperative in supporting US and UN efforts to deal with the international narcotics problem. In foreign economic policy, the long-standing hostility toward foreign capital has been modified. Burma has joined the Asian Development Bank, accepted new loans from the World Bank and from Japan, and—perhaps most significantly—invited private foreign oil firms, including some 35 American companies, to compete for contracts to explore and develop Burma's offshore oil resources.

These changes do not mean that the Ne Win regime has abandoned its commitment to socialism or its fear of foreign entanglements. In large measure, the changes are pragmatic attempts to deal with the country's fundamental and long-standing economic problems—symbolized by declining rice exports and dwindling foreign exchange reserves. The new departures may not last long enough to have a long-term impact on domestic political developments. But after years of stagnation, a process of change is under way. It is being firmly orchestrated by Ne Win and the same group of army officers that have governed the country since 1972. There is no indication that they will not continue to be the arbiters of power in Burma.

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Prime Minister Ne Win

Shoring Up the Economy: Rice and Oil

The economic motivation—indeed necessity—for new departures in Burmese policy was signaled last April in Ne Win's remarks to an extraordinary congress of the ruling Burma Socialist Program Party. In his opening address, the Prime Minister candidly outlined the failures and inadequacies of the country's economic performance. To get the economy moving, he argued, the government would need the help of private business—thereby reversing the regime's customary practice of attacking, expropriating, and even imprisoning private businessmen. (Subsequently, some 380 businessmen who had been jailed for economic crimes were released from custody.) In his closing address to the congress, Ne Win called for a more pragmatic approach to foreign economic policy, noting that the Western powers are technologically superior to the Communist nations and that Burma must choose from each system that which can best be adapted to Burmese socialism.

The need for these significant changes is directly related to Burma's severe rice shortage, which is perhaps worse than the one in 1967. At that time rioting became widespread once people became aware that the government was continuing to export rice while people were going hungry. Burmese official statistics are always suspect, but they show paddy production falling from about 8 million tons last year to 6.8 million tons this year. It may have been even lower. Rice exports, 500,000 tons in 1972, will probably not exceed 100,000 tons this year. Government procurement has been a perennial problem. Prices offered the peasants by cooperatives are considerably below those obtainable on the black market. In June the government reportedly had only 350,000 tons of rice in reserve to help meet domestic needs until the next harvest, which begins in December.

In an effort to circumvent the rice problem, Ne Win accepted the pragmatic advice of a number of his military and ex-military colleagues: first, on 21 April, he stripped the Ministry of Cooperatives of its monopoly over rice procurement and distribution; then, effective 12 May, he lifted controls on internal trade in rice and wheat, in the hopes of moving more grain to the market place. These economic liberalization measures appear to offer some prospect for bringing the Burmese economy out of the doldrums.

At the party congress Ne Win also set the stage for a new departure in foreign offshore oil exploration. On the day that he closed the conference, top American, Japanese, and West German diplomats in Rangoon were informed that Burma intended to invite private foreign oil companies to compete for rights to explore and develop Burma's offshore oil resources. In the past, Rangoon had insisted that any external financing for offshore exploration come from foreign governments, not private oil companies. Drilling had been undertaken in the Gulf of Martaban by a Singapore-based American firm financed by a $10-million loan from the Japanese Government. The drilling had gone on for a year and a half, but it had produced only five dry wells.

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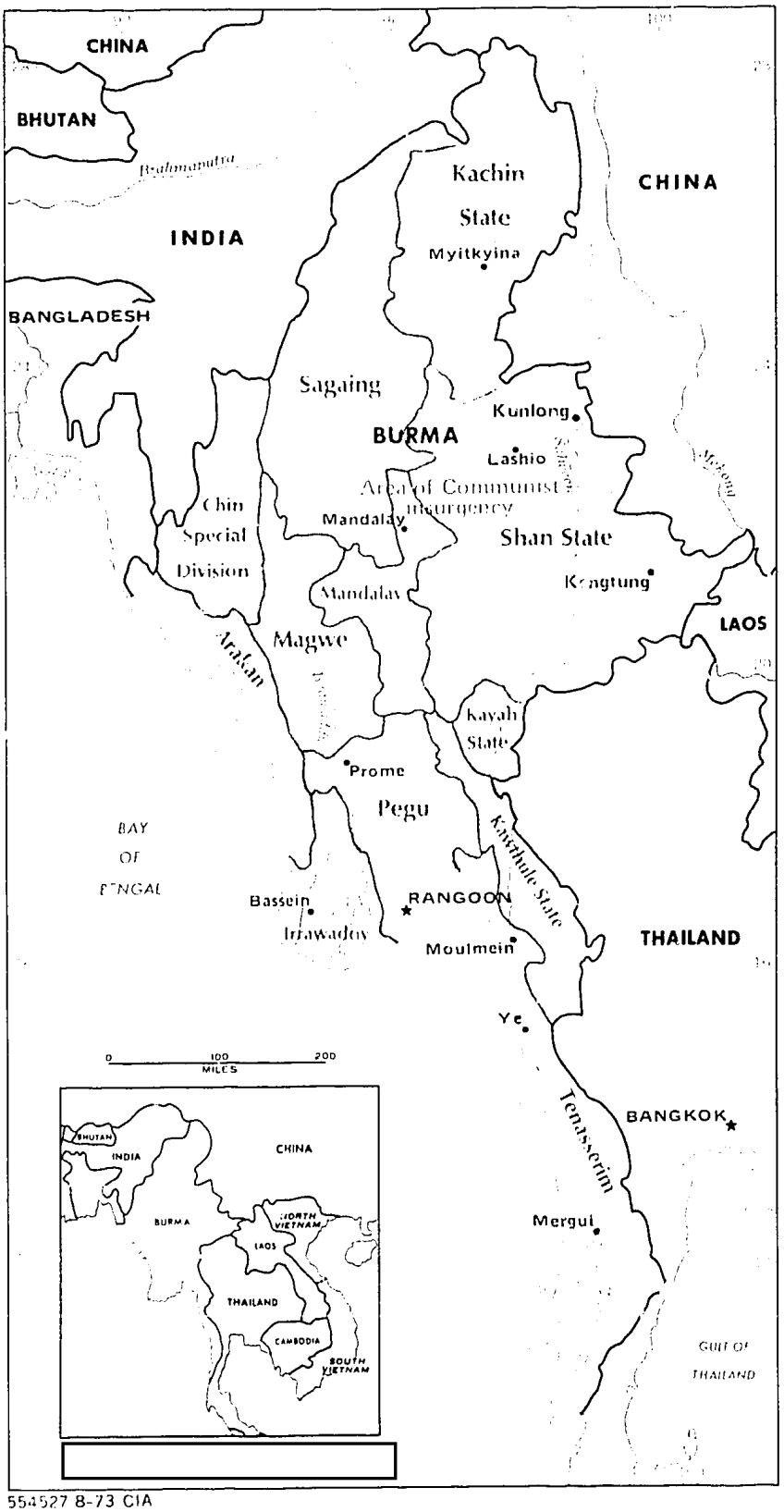

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New offshore surveys by one Japanese and two American oil firms (Gulf and Amoco) may have helped increase Burma's confidence in striking oil in commercial quantities. Ne Win also may have acted under some pressure from pragmatic Burmese military leaders—such as Brigadier Tin U, the deputy minister of defense and vice chief of staff of the armed forces—who are counting on oil revenues to provide the foreign exchange needed to buy new military equipment. Burma's foreign exchange reserves have dropped to their lowest level in 25 years, but there is little chance that oil will make any significant contribution to earnings for the next several years.

A More Outgoing Foreign Policy

The gradual emergence of Rangoon from its diplomatic shell—dramatized by Ne Win's call for a Southeast Asian peace conference—is probably also related to the country's economic ills. Minister of Planning and Finance U Lwin has long argued that Burma must expand its contact with other nations in order to become solvent and that such an expansion is possible without endangering Rangoon's independence. But his recommendations ran up against the government's fear—based largely on its long border with China—that the only way to preserve Burmese independence is "noninvolvement" with the great powers and strict "neutrality" in conflicts arising out of differences between Communists and non-Communists in Asia.

U Lwin's advice became less objectionable with the announcement of the Vietnam cease-fire and the great power moves toward detente. Ne Win saw the shifting power balances as an opportunity to move back into the diplomatic community with little risk to Burma's "neutralist" credentials. He also saw in these shifts a chance for Rangoon and the Southeast Asian states to work out some sort of modus vivendi with China. As Ne Win sees it, the process would hopefully draw Thailand and the other countries participating in the Association of Asian States (ASEAN) away from what Rangoon regards as "the association's pro-Western orientation." In this sense, Ne Win can interpret his new flexibility as being in line with Burma's long-standing policy of nonalignment.

Loading rice

Nothing has yet come of Ne Win's proposal for a peace conference, but he has not given up. During his visit to Jakarta in June, he reiterated his belief that the nations of Southeast Asia should get together to discuss ways and means of maintaining peace and stability in the region. He has said that he wants all the states of Southeast Asia to attend, along with the communist and neutralist elements contending for power in Indochina—the Viet Cong in South Vietnam, the Pathet Lao in Laos, and the Khmer Communists in Cambodia. He has said he would exclude the big powers (China, the Soviet Union, the US and Japan), but he has not been consistent about China. When he first discussed the conference idea he definitely excluded China. Six months later in Jakarta, he told the Indonesians he wished Peking would take the initiative in convening such a conference. Ne Win apparently believes that the Burmese reputation for neutrality and nonalignment will attract Communist groups to his

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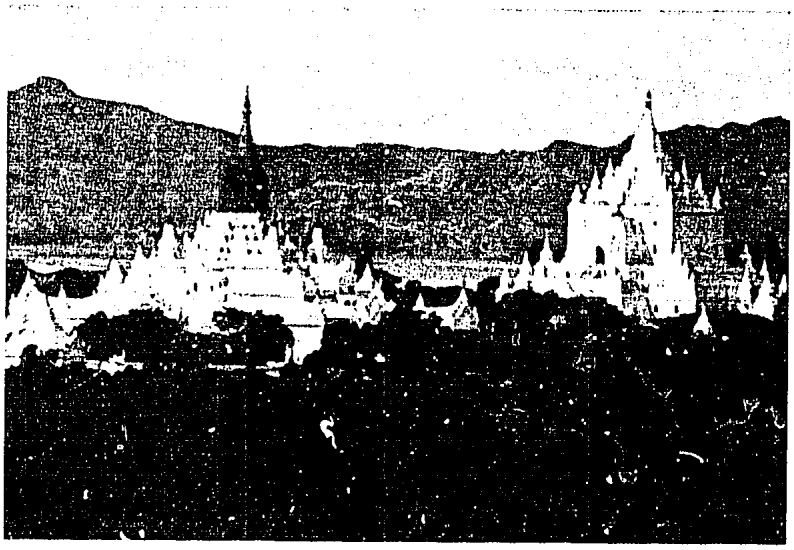

Temples at Pagan

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proposal. In fact, his proposal is so amorphous and ill-defined that it has stirred little interest in any quarter.

Ne Win's long-range goals are to keep all the big powers out of the region and to bring his small neighbors closer to his own concept of neutrality. He is troubled by Chinese support of insurgency in the area and believes that a strong regional forum not susceptible to great power manipulation is the best way to discourage Peking from this course. He is also intent on moving his non-Communist neighbors away from close ties with the US. He considers Thailand and the Philippines as much too closely associated with the US and is increasingly suspicious of Singapore now that Prime Minister Lee Kuan Yew has become such an outspoken advocate of a continuing US military presence in Thailand.

25X6 An improvement in relations with Thailand will prove difficult. The Thai and the Burmese have never been friends, and in recent years the irritation level has increased

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The maintenance of good relations with Peking overshadows all of Rangoon's foreign policy concerns. Indeed, Rangoon's strict adherence to a nonaligned foreign policy is an outgrowth of this need. Perplexed and disturbed by China's support for the Burmese Communist insurgent movement, Ne Win took up the issue with Chou En-lai when he traveled to Peking in 1971. The Burmese seem to have accepted the fact that there is little they can do about it and that they must defer to China's power. In view of Peking's current desire for improved relations with its Southeast Asian neighbors and its rapprochement with the US, Ne

Ne Win visits Mao

Win probably believes that his limited policy departures will not cause Peking concern. The Chinese have not in fact given any sign of displeasure over Rangoon's new economic or foreign policy moves.

The Limits of Change

The new departures in Burmese policy suggest a basic shift of influence within the circle of advisers surrounding Ne Win. The pragmatic technocrats and generals such as U Lwin and Brigadier Tin U, seem to have gained Ne Win's ear. The left-wing ideologues who argue for political and economic institutions patterned on the Soviet model and who had the upper hand are certainly unhappy with the changes. They lack the strength to challenge Ne Win's authority.

The "Burmese road to socialism" and other roots of Burmese policy are not being scrapped. Rice policy, for example, could easily revert to the old ways when the current shortages ease, or the regime could turn to a more coercive approach to the Burmese peasant if the new policy does not work. Recent reports of rice looting and other problems indicate that the new approach is hardly a panacea. Rising prices or more serious rice shortages could easily lead to rioting. The government, by removing itself from the rice trade, may manage to deflect part of any such discontent from itself to private rice merchants—who have never been popular in Burma.

The new receptivity to foreign capital is also limited. Rangoon is turning to private foreign firms essentially for their technology and capital. Burma plans to emulate Indonesian-style profit sharing arrangements in order to maintain the government's ownership and control over its offshore oil resources. Burma is entering the competition at an advantageous time because the oil companies are eager to gain rights to new resources. Rangoon has a good chance of obtaining the favorable terms from the companies that it is now seeking. Even if oil is discovered offshore in large commercial quantities, it would take at least five to seven years before the oil could have a substantial impact on the Burmese economic scene.

The effort to organize a conference which will promote neutrality, Burmese-style, for the region as a whole suffers from the same ambiguities and lack of focus that characterizes much of the talk about neutrality throughout the region—whether it comes from Rangoon, Kuala Lumpur, or Jakarta. The nations of the area do seem to

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recognize that it is a time of change in Southeast Asia and in the world and that they must somehow promote their own self-interest by greater cooperation with one another.

Ne Win recognizes that this is a time of transition in Burma, too. The government is thinking in terms of new policies and changes in form. In September, the Burma Socialist Program Party is scheduled to hold a party congress at which the draft of a new Burmese constitution will almost certainly be approved. Around December, a national referendum will be held to gain the people's formal assent to the new constitution. Under its terms, elections are to be held early in 1974 for a People's Congress (or Parliament) and for People's Councils (lesser assemblies on a state and local level). If all goes according to plan, the new constitution of the "Socialist Republic of Burma" will be promulgated on 2 March 1974, exactly 12 years after Ne Win took power.

The process will be carefully orchestrated by Ne Win and the men who govern the country today. The party and the people will be told how to vote, and candidates for office will be carefully screened and selected. Military influence may be more subtle in the new government than in the present one, but former military men who resigned their military commissions—as Ne Win has done and has directed others to do—will almost certainly retain key roles. They will continue to be the arbiters of power in Burma—and will probably continue to do the bidding of Ne Win.

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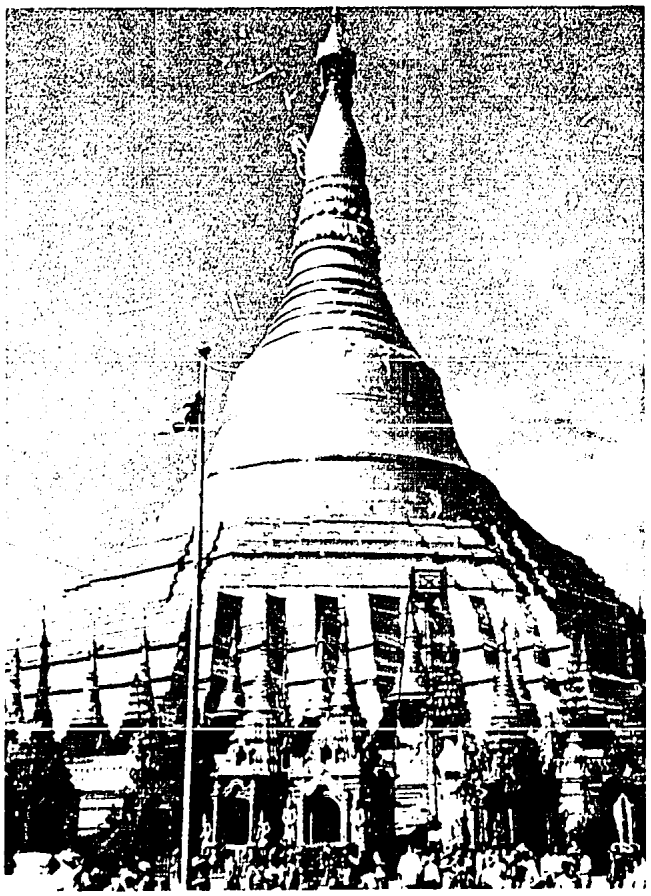

Shwe Dagon Pagoda, Rangoon